

**RELATIONSHIP BETWEEN INCOTERMS CHOICES, SELECTION
FACTORS AND EXPORT PERFORMANCE: A CASE OF
MANUFACTURING COMPANIES IN MALAYSIA**



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**MASTER OF SCIENCE
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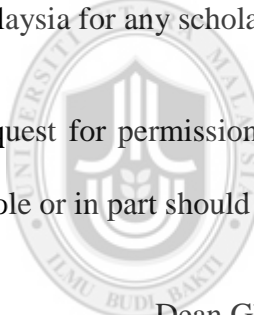
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ABSTRACT

The present study has three major objectives: (1) To determine the most frequently used Incoterms 2010 among manufacturers in Malaysia. (2) To identify the factors that influence the Incoterms selection by the manufacturers. (3) To examine the relationship between the selection factors, Incoterms choice and export performance. This study is a quantitative research and was conducted in Malaysia and the sample was selected from the Federation of Malaysian Manufacturers (FMM). A total of 335 questionnaires were distributed and 60 questionnaires were returned with complete answer. The valid response is 17.91%. The collected data was analyzed through reliability analysis, which is Cronbach's Alpha, descriptive analysis and correlation analysis. EXPERF tools developed by Zou in 1998 uses three dimensions to evaluate the export performance, which is through financial performance, strategic performance and export performance which is a perceived performance. The results showed that (1) FOB is the most frequently used Incoterms in Malaysia. (2) There are factors influencing the Incoterms selection including new added factors. (3) There are significant relationships between selection factors with Incoterms selection, and selection factors with export performance. In conclusion, this study focuses on factors influencing the choices of Incoterms and its impact on the export performance. The possible neglected factors such as intangible units, employee behaviours, conducted study overseas and et cetera.

Keywords: Incoterms 2010, International Trade Terms, Export Performance, Incoterms Selection, Logistics, Supply Chain Management

ABSTRAK

Kajian ini mempunyai tiga objektif utama: (1) Untuk menentukan Incoterms 2010 yang paling kerap digunakan di kalangan pengeluar di Malaysia. (2) Untuk mengenal pasti factor-faktor yang mempengaruhi pemilihan Incoterms oleh pengeluar. (3) Untuk mengkaji hubungan antara factor-faktor pemilihan, pilihan Incoterms dan prestasi eksport. Kajian ini merupakan kajian kuantitatif dan telah dijalankan di Malaysia dan sampel dipilih daripada Persekutuan Pekilang-Pekilang Malaysia (FMM). Sebanyak 335 soal selidik telah diedarkan dan 60 soal selidik telah dikembalikan dengan jawapan lengkap. Sah soal selidik yang didapati adalah 17.91%. Data yang diperolehi dianalisis melalui analisis kebolehpercayaan, iaitu Alpha Cronbach ini, analisis deskriptif dan analisis korelasi. Alat EXPERF dikemukakan oleh Zou pada tahun 1998 menggunakan tiga dimensi untuk menilai prestasi eksport, iaitu melalui prestasi kewangan, prestasi strategik dan prestasi eksport yang merupakan prestasi yang dilihat. Hasil kajian menunjukkan bahawa (1) FOB adalah Incoterms paling kerap digunakan di Malaysia. (2) Terdapat factor-faktor yang mempengaruhi pemilihan Incoterms termasuk faktor baru ditambah. (3) Terdapat hubungan yang signifikan antara factor-faktor pemilihan dengan pilihan Incoterms, dan factor-faktor pemilihan dengan prestasi eksport. Kesimpulannya, kajian ini memberi tumpuan kepada factor-faktor yang mempengaruhi pilihan Incoterms dan kesannya terhadap prestasi eksport. Factor-faktor yang mungkin diabaikan seperti unit tidak ketara, tingkah laku pekerja, menjalankan kajian di luar negara dan lain-lain.

Kata Kunci: Incoterms 2010, Terma Perdagangan Antarabangsa, Prestasi Syarikat, Pemilihan Incoterms, Logistik, Pengurusan Rantaian Bekalan

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TABLE OF CONTENTS

	Page
TITLE PAGE	i
PERMISSION TO USE	ii
ABSTRACT	iii
ABSTRAK	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF ABBREVIATIONS	xii
CHAPTER 1 – INTRODUCTION	
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Research Objectives	5
1.4 Research Questions	6
1.5 Significance of Study	6
1.6 Scope of Study	7
1.7 Organization of Study	7
CHAPTER 2 – LITERATURE REVIEW	
2.0 Introduction	9
2.1 Incoterms	9
2.2 Incoterms selection factors	17

2.2.1 Incoterms Used Frequently	20
2.2.2 Knowledge of Incoterms	20
2.2.3 Importance Accorded to Incoterms	20
2.2.4 Selection of Incoterms by the Manufacturers	20
2.2.5 International Experience	21
2.2.6 Shipment Values	21
2.2.7 Practices of the Organization	22
2.2.8 Financial Resources of the Organization	22
2.2.9 Negotiation Power of the Client	22
2.2.10 Mode of Transportation	22
2.2.11 Client's Characteristics	23
2.2.12 Country Risk	23
2.2.13 Competitive Intensity	24
2.2.14 Regulations of Destination Country	24
2.2.15 Environmental Factors	24
2.2.16 Process to claim Insurance	25
2.2.17 Complexity of Documentation	25
2.2.18 Time Constraint	26
2.2.19 Regulations of Exporting Country	26
2.3 Export Performance	27
2.4 The Research Framework	28
2.5 Development of Hypothesis	29

CHAPTER 3 – RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction	32
3.1 Research Design	32
3.2 Population and sample	33
3.2.1 Population	33
3.2.2 Sample	33
3.3 Research Instrument	35
3.4 Reliability and Validity	37
3.5 Data Collection	37
3.6 Data Analysis	38
3.7 Summary	39
CHAPTER 4 – RESULTS AND FINDINGS	
4.0 Introduction	40
4.1 Reliability	40
4.2 Background of Respondent	42
4.3 Correlation Analysis	48
4.4 Hypothesis Testing Results	58
4.5 Summary	62
CHAPTER 5 – CONCLUSION AND RECOMMENDATIONS	
5.0 Introduction	66
5.1 Conclusions	66
5.2 Limitations and Future Research Direction	68
REFERENCES	70

APPENDICES

Appendix A: Research Questionnaire	73
Appendix B: Industries Group of Respondents	81
Appendix C: Background of Respondents	82
Appendix D: Incoterms Choice Among Manufacturers	91
Appendix E: Factors that Influence Respondents in Choosing the Incoterms 2010	92
Appendix F: Impacts of Incoterms 2010 on Export Performance	94
Appendix G: Correlation Analysis for General Factors and Company Performances	97
Appendix H: Correlation Analysis for Factors and Company Performances	98
Appendix I: Correlation Analysis for all Factors and Performances	101
Appendix J: Correlation Analysis for Incoterms Choice and Company Performances	101
Appendix K: Correlation Analysis for all Performances and Incoterms	103
Appendix L: Correlation Analysis for General Factors and Incoterms Choice	103
Appendix M: Correlation Analysis for the Factors and Incoterms Choice	105
Appendix N: Correlation Analysis for all Factors and Incoterms	107
FIGURE	
Figure 1 Theoretical Framework	29

LIST OF TABLES

Table		Page
Table 2.0	Overview of Incoterms	12
Table 2.1	Grouping of obligations under 10 headings	17
Table 2.2	Formal Statement of the Hypotheses	18
Table 2.3	The EXPERF tool for evaluating export performance	27
Table 3.0	Sample Size for a Given Population Size	34
Table 3.1	Questionnaire Description	36
Table 4.0	Reliability Statistics for Incoterms, Factors and Export Performance	41
Table 4.1	Reliability Statistics for New Variables	41
Table 4.2	Reliability Statistics for Domestic Performance	41
Table 4.3	Current Working Position of Respondents	43
Table 4.4	Role of Repondents	44
Table 4.5	Main Activity in Company of Repondents	45
Table 4.6	Experience of Repondents	45
Table 4.7	Mode of Transportation	46
Table 4.8	Type of Industry for the Respondents	47
Table 4.9	Correlation Coefficient of General Factors and Company Performance	48
Table 4.10	Correlation Coefficient of Factors and Company Performance	49
Table 4.11	Correlation Coefficient of all Factors and Performances	51
Table 4.12	Correlation Coefficient of Incoterms Choice and Company Performance	52

Table 4.13	Correlation Coefficient of all Performances and Incoterms	53
Table 4.14	Correlation Coefficient of General Factors and Incoterms Choice	53
Table 4.15	Correlation Coefficient of Factors and Incoterms Choice	55
Table 4.16	Correlation Coefficient of all Factors and Incoterms	58
Table 4.17	Sub-Hypothesis Testing Results	58
Table 4.18	Main Hypothesis Results	61
Table 4.19	Incoterms Choice among Manufacturers	63
Table 4.20	General Factors that Influence Respondents in Choosing the Incoterms 2010	63
Table 4.21	Factors that Influence Respondents in Choosing the Incoterms 2010	64



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LIST OF ABBREVIATIONS

3PL	Third Party Logistics
CFR	Cost and Freight
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid To
CPT	Carriage Paid To
CSCMP	Council of Supply Chain Management Professionals
DAP	Delivered at Place
DAT	Delivered at Terminals
DDP	Delivered Duty Paid
EXW	Ex Works
FAS	Free Alongside
FCA	Free Carrier
FMF	Federation of Malaysian Manufacturers
FOB	Free On Board
ICC	International Chamber of Commerce
Incoterms	International Commercial Terms
SPSS	Social Packages for Social Science
THC	Terminal Handling Charge

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The role of global logistics as a common key terms of international and domestic trade has become prominent in the modern era of globalisation. Manufacturers are concerned about the effectiveness of supply chain, and main players within the supply chain are applying a certain code of conduct in their daily business practices. Regardless of domestic or international trade, supply chain is the procurement of goods or provides services in businesses that go through a series of processes to reach the buyer from the seller.

The Incoterms rules are standard trade terms used in international and domestic sales contracts to allocate certain costs and risks between the seller and the buyer (ICC, 2013, p. 4). On a wider concept, global supply chain, which is a further step that crosses the border, in every part of the world to conduct their international businesses. International business literally means that businesses that across countries where the businessman uses every conceivable means to gain the core target which are profiting through the international transaction.

To conduct the business, especially cross-border business, it is impossible for the manufacturers to perform their business activities without a set of standard operating procedure. International Chamber of Commerce (ICC) stated that by choosing an Incoterms rule, the parties allocate transport costs and risks as well as

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